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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 002898

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TAGS: PHUM PGOV EFIN SOCI CH
SUBJECT: CAIJING'S LAST STAND?

Classified By: Political Minister Counselor Aubrey Carlson.
Reasons 1.4 (b/d).

¶1. (C) Summary: Disagreements over editorial policy and business models threaten to bring about the demise of China's most influential and independent economic magazine, Caijing. The conflicts are the result of a complex clash of interests and philosophies, including competing business strategies, strong personalities, and the role of Chinese propaganda authorities, contacts say. While business disputes have contributed to the turmoil, our contacts believe that at the core of the current impasse are Caijing's efforts to exert its editorial independence. Caijing's founder and managing editor Hu Shuli has resisted interference in editorial decisions by the magazine's publisher, princeling Wang Boming, who, in turn, is under pressure from the Party to curtail Caijing's hard-hitting political and social reporting, particularly in the wake of early July ethnic violence in Xinjiang. Negotiations continue but Hu has suggested she may leave Caijing and establish another media enterprise if she cannot come to terms with Wang's Stock Exchange Executive Council (SEEC). End Summary.

Publisher vs. Editor-in-Chief

¶2. (U) Citing unnamed staff members at Caijing (literally, "Finance and Economy"), Hong Kong's South China Morning Post reported on October 12 and 15 that Caijing's "dream team," founder and managing editor Hu Shuli and business manager Daphne Wu Chuanhui, were engaged in a dispute with Caijing's owner and publisher, the Stock Exchange Executive Council (SEEC) headed by princeling Wang Boming, that could result in the closure of the publication. Wu has resigned along with eight of the nine top business executives on her management team, the article said. It reported that the SEEC had appointed a senior executive to replace Wu but 70 of 110 employees at Caijing's business operations had already resigned or were planning to do so. The article reported that Hu was in the final stages of negotiations with the SEEC in an effort to reach a compromise but that if negotiations broke down, she would resign and launch a new multimedia company. The article predicted that Hu would take most of Caijing's 180 reporters and editors with her.

¶3. (U) The article noted that Wu's departure highlighted growing differences between the SEEC and the Caijing editorial staff led by Hu and Wu over the magazine's shareholding structure, editorial policies, and strategic outlook. Hu and Wu hoped to expand into online and multimedia content. They reportedly chafed under Wang's decision to return only a small portion of the magazine's advertising revenues to its operating budget and hoped to invite outside investors to enhance Caijing's shareholding structure and corporate governance. (Note: The article echoed and summarized several other articles in Western media since late September 2009.)

The Core Issue: Editorial Independence

¶4. (C) In an October 14 e-mail to PolOff, Caijing's international editor Huang Shan (protect) characterized the South China Morning Post article as "accurate." He said the current clash between the SEEC and Caijing was the result of longstanding disagreements over development strategy going back a decade over whether to continue expanding into areas beyond traditional financial and commercial reporting. (Comment: Under Hu Shuli's editorial direction, hard-hitting political and social commentary on sensitive issues has become one of the magazine's trademarks and a major reason for its popularity.)

¶5. (C) Huang said the "watershed" event that had brought the issue of editorial independence to a head was the early-July ethnic violence in Xinjiang. Caijing had sent reporters to cover the riots, but SEEC management intervened to prevent the publication of the stories they filed, undermining "the editorial independence that Caijing has nourished since its founding in 1998," Huang stated. Since July 5, he said, the SEEC had reviewed almost all cover stories before publication, Huang said.

¶6. (C) In a separate meeting with PolOff October 15, Qinghua University communications professor Zhou Qing'an agreed that Hu Shuli had been concerned by creeping SEEC control over editorial decisions. In Zhou's view, the current dispute had not resulted from a "final straw" event but rather from the culmination of political pressure that had been building for years. Editorial interference by the SEEC had begun after the controversial 2007 publication by Caijing of a sensitive

story on the privatization of the Luneng power company. Luneng arranged to purchase the entire print run of Caijing in order to kill the story, Zhou said.

¶7. (C) Zhou noted that as Hu Shuli tried to expand the scope of Caijing reporting from just financial news to include politics, social issues and international affairs, the SEEC had become increasingly uncomfortable. In 2004-2005, SEEC managers who had been supportive of Caijing during its formative years moved on to jobs at the People's Bank of China and elsewhere once the SEEC had fulfilled its original mission of setting up China's stock exchanges. This turnover had resulted in increased scrutiny of Caijing's editorial policies by its parent company, Zhou said.

¶8. (C) A former employee at Caijing who left the magazine in early 2008 told EconOff October 15 that publisher Wang and his media operations manager Dai Xiaojing (who replaced Wu as general business manager) had been willing in the past to provide political protection to Hu when she ran articles critical of government officials or policies. The two were reportedly able to convince their government and party contacts that the articles in question were accurate, useful, or "not a big deal," enabling Hu to publish relatively independent and critical reports. (Comment: It is not clear whether Wang is no longer able to protect Hu or has decided to cease doing so as a result of a falling out over business strategy and budget matters. Contacts evinced a range of theories on the issue. Hu has not yet scheduled a meeting with EmbOffs that she agreed to in late September.)

¶9. (C) A Forbes article on October 14 claimed that Wang and the SEEC were themselves under political pressure from the Party-controlled All-China Federation of Industry and Commerce, the owner of Caijing's publishing license. This pressure was reportedly also a factor in Wang's efforts to tone down Caijing's investigative reporting. The AmCit author of the article told PolOff October 15 that he had received an email from Hu complimenting him on the piece, which he interpreted as meaning that it was accurate.

Hu's Ambitious Projects Hit Political Resistance

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¶10. (C) Qinghua University's Zhou said the development of Caijing's website had become a major source of controversy between the magazine and its publisher. According to Zhou, Hu and the Caijing editorial team were in the process of creating an English- and Chinese-language website modeled after the Financial Times Chinese edition, which was greatly admired in Chinese media circles. Hu envisioned a website that would rely on a network of freelance reporters and have a loose editorial structure. Caijing's coverage of the fire that destroyed part of the new CCTV complex in February was an initial foray into this reporting model, with content such as photos and eyewitness accounts from informal contributors delivered via Caijing's website. Zhou said SEEC managers were uncomfortable with these plans since a website generating daily content would be difficult to control. As a result, Hu had not received much SEEC support for the web-based platform she envisioned.

¶11. (C) A New York Times correspondent in Beijing familiar with the Caijing shakeup (protect) told PolOff October 15 that his sources had said Hu had moved ahead with the website concept without prior approval from Wang. The Forbes reporter told PolOff that a recent plan by Hu to launch a financial news service with Hong Kong tycoon Richard Li had alarmed senior Party leaders because of the prospect of a domestic wire service beyond Party control.

¶12. (C) Caijing international editor Huang said that the shareholding structure for Caijing envisioned by Hu and Wu ran into stiff resistance from the SEEC. He said Caijing had proposed a management buy-out as the last resort to "calm down the seemingly irreconcilable tensions" between the two sides, but that that proposal, too, "got the cold shoulder from the SEEC."

Hu Shuli's Next Venture

¶13. (C) Echoing Western news reports, contacts suggest that Hu is contemplating leaving Caijing and setting up a new media organization. The former Caijing employee who spoke with EconOff said that interested investors, including CITIC (China International Trust and Investment Corporation), reportedly had offered to support any new endeavor by Hu. Qinghua's Zhou Qing'an said that Hu and Wu had been talking with potential investors about starting a new magazine. According to Zhou, potential investors were mainly venture

capital and private equity funds. A Southern Metropolitan Daily article on October 14 mentioned these potential investors by name, and on October 13, the well-connected Hong Kong daily Ming Pao reported that Hu was in serious discussions with the Zhejiang Daily Media Group to sponsor a new publication under Hu's editorial control.

¶14. (C) The former employee of Caijing, who maintains contacts with Caijing staff, told EconOff October 15 that most of the Caijing editorial team was waiting to see if Hu would leave and would go with her if she started a new publication. Zhou Qing'an separately asserted that the staff was willing to move with Hu en masse to a new publication in an attempt to preserve editorial independence. In his view, the unity among Caijing's editorial staff was unique in China and resulted from Hu Shuli's charisma and personal leadership and a sense among Caijing staff that they were the vanguard of press freedom in China. Zhou commented that Caijing's profitability was a result of its editorial independence.

It's Not Over Until It's Over

¶15. (C) Caijing's Huang Shan speculated that Hu Shuli could still come to an agreement with the SEEC that would preserve

the magazine's editorial independence. In the short term, allowing the magazine to close would benefit neither Hu nor the SEEC. Caijing was "the only shining spot" on the balance sheet of the HK-listed company SEEC Media, he said. Without the editorial and management staff of Caijing, the brand would mean nothing. Caijing management was also not eager to start over and build a new brand and recruit new staff, Huang said.
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